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'Do what others don't want to do'

WOOD

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He says his greatest strength is taking broken things and making them work – and that's what he has done with C-MAC Industries since taking over the helm of the struggling Sherbrooke firm in 1988. A year earlier, the company had a loss of $2 million on sales of $1.9 million.

7,500 EMPLOYEES

In the last 12 years, he has turned the fledgling electronics-manufacturing company into a powerhouse with 7,500 employees and 44 manufacturing plants around the world. The firm expects to have $2.4 billion in sales this year. In fiscal 2001, that figure is expected to jump to $3 billion. The company's shares trade on the Toronto and New York stock exchanges.

And he did it by buying unwanted factories, many cast off by **Nortel Networks**, C-MAC's best customer.

Wood's business strategy has always been to go after the things that large companies no longer want to do themselves.

"Just find out what somebody doesn't want to do and do it," he said. "That is really how C-MAC came to be.

"I've made a lot of money all my life doing things other people didn't want to do," he said.

C-MAC has become a subcontracting success story by capitalizing on the increasing tendency among large telecommunications companies to outsource the bulk of their manufacturing needs.

It did that by first buying some non-strategic manufacturing assets from Nortel in the 1980s and then negotiating multi-year contracts under which C-MAC would use those assets to provide a stable supply flow to Canada's most valuable high-tech company.

Nortel, in turn, took the junior firm under its wing and helped it develop its manufacturing expertise. Over the years, the relationship blossomed as both companies grew by leaps and bounds, and Nortel sold several more of its plants around the world to C-MAC.

It's another lesson that has not been lost on Wood.

In a recent speech to the Canadian Club in Montreal, Wood – switching effortlessly from English to French – extolled the virtues of corporate mentoring.

At first, Nortel was C-MAC's only customer, but the company has diversified over the last few years. In the latest quarter, 57 per cent of C-MAC's business came from Nortel. Other customers include **Lucent Technologies Inc., Marconi PLC and Motorola Inc.**

NORTEL'S STORE WOES RUB OFF

While the relationship with Nortel has been mutually beneficial to both parties, Nortel's recent stock-market woes have also touched C-MAC.

Over the last year, C-MAC has risen from $29.10 to a high of $113.50 in September. But the company's stock has dropped in recent weeks. Yesterday, the stock closed at $70.45 in Toronto trading, up $1.50.

While C-MAC wants to continue its strategy of diversification among customers, Wood has no problems with Nortel.

"If Nortel would like to buy more from us, I would be very, very happy to supply them with as much as we possibly can," he said. "I'm certainly not going to turn down any business that they can offer."

While supplying contract manufacturing services to communications companies remains C-MAC's largest business, the firm also has started making electronic components for the automobile and aerospace industries.

Its success in the telecommunications industry, insiders say, was a result of C-MAC being able to take advantage of an evolution in the electrical component-manufacturing industry over the last 10 years.

Telecommunications companies have been moving from simple circuit-board assembly to more complex procedures in which sub-micronic components – measuring less than one-millionth of a metre – are soldered straight on to circuit boards, explained Faraj Nakhleh, president of KCGT Corporate Finance Inc.

That requires "a huge amount of capital expenditure in machines and a huge amount of expertise," he said.

Big firms like Nortel and Lucent really couldn't do it themselves if they wanted to remain best in class and keep on top of their research and development activities. "They had to give it to experts," Nakhleh said.

As the demand for bandwidth increases and telecommunications firms continue to build fibre-optic networks, the market for complex electronic-components manufacturing has exploded.

C-MAC's competitors include **IBM Corp.'s** former factory **Celestica Inc.** of Toronto, **SCI Systems Inc.** of Huntsville, Ala., and **Solectron** of Milpitas, Calif., the No. 1 contract electronic-component manufacturer in the world.

C-MAC is one of the leaders in the the electronics-manufacturing sector, said Pierre-Yves Terrisse, an analyst with Yorkton Securities in Montreal.

"It's a company that is well diversified ... with a very solid customer base," he said. "Dennis has done that in a very short period of time."

Ken Bradley, chief procurement officer at Nortel, said he first got to know C-MAC when the company purchased a Nortel facility in West Palm Beach in the mid-1980s.

"C-MAC is a pretty interesting and pretty remarkable success story for a small Canadian company that has grown to quite a significant world player in a quite a short period of time," he said in an interview. "They have done a remarkable job. They have acquired companies and business from Nortel and others and turned them into well-run profitable operations. A lot of the credit for that goes to Dennis Wood."

Wood got into business in 1975 when he and a friend pooled their savings – along with a loan from Wood's mother, who worked as a mender at a St. Laurent Blvd. knitting factory – to start up a corrugated cardboard-box factory.

"With my personality, it was very difficult to work within the confines of a large corporation," he said. "Now, I run one and it is still difficult."

After the factory burned down, Wood dusted himself off and became involved in a variety of other businesses over the years, including running a flower shop and a hotel.

He made his first fortune running Berkley Wallcoverings in Sherbrooke, which he sold in the early 1980s, later running as a federal Liberal candidate in the riding in 1988.

President of the Sherbrooke Chamber of Commerce at the time, Wood said he became involved in politics because he was not happy with the way the North American Free Trade Agreement was being negotiated.

"I thought we sold ourselves too cheap," he said. "I still believe we sold ourselves too cheap."

"It's too late to turn around now," he added. "As we speak today, it has worked out. My question is: was it necessary for us to go through all that pain at that particular point?"

After failing to win a seat in Parliament, he took over C-MAC, a company in which he had been an original investor. C-MAC had grown out of a project at the Université de Sherbrooke.

What was lost to the world of politics was gained by the airline industry.

Wood jets around the world regularly to C-MAC factories in Ireland, England, France, Belgium, Germany, India, Mexico, Canada and the U.S. When asked, he is unable to put a finger on the number of hours he works per week.

"I enjoy working," he said, with a shrug and a chuckle. "Some have to work more than others to accomplish the same thing ... so maybe I work more hours than others."

RODNEY PALMER, GAZETTE

Dennis Wood (right) was interviewed in Bangalore in 1998, when the C-MAC executive was in India after his company bought a 51-per-cent interest in Centum Electronics Ltd. With him was Appa Rao, Centum's managing director.

> **"It's a company that is well diversified ... with a very solid customer base. Dennis has done that in a very short period of time."**
>
> *Pierre-Yves Terrisse, analyst*

Wood credits his wife of 41 years, Hélène, a fellow entrepreneur, for much of his success.

"Our success was mutual," he said. "She put a heck of a lot of effort in."

The entrepreneurial spirit has been passed on to the second generation, Wood's daughter, Alyson, acquired her mother's two decorating stores in Sherbrooke and is growing into a regional chain of several stores; his son, Christopher, is a North American wallpaper mogul.

As for the future direction of C-MAC, Wood said he is betting that the coming convergence between telecommunications and transportation – picture cars equipped with computers – will give a huge boost to the communications-electronics market.

In fiscal 2001, he expects C-MAC's **sale of communications gear for the transportation** industry to account for **12 to 13 per cent of** business.

DEAL FOR DY 4 SYSTEMS

Yesterday, C-MAC said it had closed a deal to pay about $238 million in stock – or the equivalent of $17 per share – **for DY 4 Systems Inc., a Loesburg, Va.-based** maker of computing systems for the aerospace, industrial and government electronics industries. **In October,** the company paid **$500 million** in cash for **Kavlico Corp., a Moorpark,** Calif.-based maker **of precision** sensors.

In an interview, C-MAC chief financial officer Claude Michaud said the decline in the company's stock price is not affecting its acquisition strategy.

"Our strategy is medium-to-long term, so we are still looking for acquisitions that make sense from our business-model point of view," he said, adding that the company still has $400 million in cash left over from its August listing on the NYSE.

Following Nortel's lead, C-MAC is now **outsourcing its non-strategic manufacturing needs. And the company is stepping into the shoes of** its former **mentor as it finds itself nurturing a group of junior electronics** suppliers.

Asked if he is grooming any of these firms to become a baby C-MAC, he said, "We would hope to, somewhere."

As for a future foray into politics, he said: "I enjoyed it.

"If I was sure I wouldn't get elected, I'd do it again."

'No clear plan' seen

But that isn't unusual for a start-up: report JITEC

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"We believe that the Jitec solution ... is clever, and could be a competitive advantage," it says, "but we did not see a clear plan for a sustainable competitive advantage. This is not an uncommon situation with start-ups."

Jitec leases to small and medium-size companies the stripped-down computer terminals it manufactures that are then connected to powerful servers at centralized operation centres.

This gives companies access to software, high-speed Internet service and tech support for $49.95 a month.

Jitec's Web site describes its Business Computing Advantage service as "a revolutionary new system, unique in North America.

Laliberté has also said in interviews that Jitec's product is unique in North America.

And the information circular states that the company is unaware of any competing companies offering a Business Computing Advantage type service.

BARRED FROM TRADING

On Nov. 10, the Quebec Securities Commission barred Laliberté from trading Jitec stock.

The QSC alleged that Laliberté had traded hundreds of thousands of Jitec shares through at least seven brokerage accounts opened both in his name and by a numbered company whose sole director is a close friend, Michel St. Pierre.

A QSC official said the commission's staff had concluded the purpose of Laliberté's trading was to boost Jitec's share price.

The commission also said Laliberté had made unreported transfers of 8 million shares to 35 individuals and companies. Some trades and all the share transfers weren't reported as required under securities law, the QSC said.

On Wednesday, Jitec's board announced Laliberté, owner of 39 million Jitec shares or 62 per cent of the company, had resigned as chief executive officer and director.

The board said Laliberté had received advances from the company totaling $565,000 without board authorization and that an additional $1.2 million had gone to companies related to him.

The 28-year-old founder of Jitec has promised to pay back the $865,000 by Dec. 15 while the $1.2 million is to be repaid in monthly instalments over the next six months.

Laliberté has denied any wrongdoing in the stock transaction and said he will appear before the QSC on Dec. 1 to contest the trading ban. He's also said transactions described by Jitec's board on Wednesday were for the benefit of the company and its shareholders.

REPORT WAS ENCOURAGING

A Jitec press release on Wednesday made reference to the PriceWaterhouseCoopers report, saying it found it very encouraging. But the company did not make it public.

The statement also quoted the report's observation that the company could use a senior VP (in charge) of marketing, given "the complexity of the markets it's targeting, the multiplicity of competitors, the plethora of possible directions it could take and the tremendous potential it has for creating offerings for these markets."

Laliberté said in a press release Wednesday that he was pleased that PriceWaterhouseCoopers had recognized the tremendous potential of Jitec.

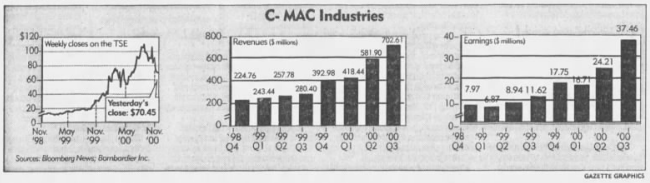
INTERVIEWS ON OCT. 26

The report is based on interviews conducted at Jitec's headquarters on Oct. 26, a review of market and technology documentation that the company supplied to the accounting firm's personnel and some general market research.

PriceWaterhouseCoopers interviewed Laliberté, other senior executives and technical personnel.

Jitec stock closed up 16 cents yesterday at $1.31 in Montreal Exchange trading. It hit a high of $11.65 in early August.

The QSC investigation into stock manipulation and faulty disclosure by insiders is continuing.



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